

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 AID-20

COME-00 EB-11 FRB-03 TRSE-00 XMB-07 OPIC-12 CIEP-03

LAB-06 SIL-01 OMB-01 DRC-01 /146 W

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R 232148Z JUL 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1121

INFO USIA WASHDC

C O N F I D E N T I A L LIMA 6024

E.O. 11652: GDS

TAGS: EIND, ECON, PGOV, PINT, PE

SUBJECT: JULY 28 THEMES - PRESS TAKEOVER AND NEW DECREE LAW
ON THE INDUSTRIAL COMMUNITY

REF: LIMA 5980

1. A VERY WELL-INFORMED AND RELIABLE FOREIGN JOURNALIST WITH EXCELLENT TIES TO GOP HAS INFORMED US THAT CONTRARY TO RUMOR REPORTED REFTELG, HIS INFORMATION CONTINUES TO INDICATE THAT GOP WILL RADICALLY RESTRUCTURE OWNERSHIP OF PRESS. HE HAD NO INKLING, INCIDENTALLY, OF RUMOR REPORTED REFTEL THAT NEWSPAPERS WOULD BE OBLIGED TO HAVE A WORKERS' PAGE, AND, ON CONTRARY, CONTINUES TO BELIEVE THAT GOP HAS OPTED FOR MEASURES DESIGNED TO SILENCE MOST NEWSPAPERS, ALTHOUGH WEEKLY NEWS MAGAZINES MAY BE SPARED. SOURCE ALSO CLAIMED TO BE IN DIRECT TOUCH WITH FORMER CARETAS EDITOR ENRIQUE ZILERI (NOW IN HIDING), WHO, ACCORDING TO SOURCE, PREDICTS THAT THE NEW DECREE LAW ON THE PRESS MAY BE PROMULGATED ON FRIDAY, JULY 26.

2. SOURCE ALSO SAID THAT SECOND KEYSTONE OF PRESIDENT'S JULY 28 SPEECH WILL BE NEW DECREE LAW ON THE OPERATION OF THE INDUSTRIAL COMMUNITY CONCEPT, REFORMING IT TO PERMIT ALL
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INDUSTRIAL WORKERS TO SHARE IN THE BENEFITS OF PRIVATE

INDUSTRY'S PROFITS. SOURCE NOTED THAT INDUSTRIAL COMMUNITY DECREE HAS BEEN IN THE WORKS FOR MANY MONTHS AND WOULD BE A NATURAL TOPIC FOR PRESIDENT TO MENTION IN THE CONTEXT OF FULFILLING THE REVOLUTION'S GOALS.

3. COMMENT. WHILE SOURCE ADMITS HE MAY BE WRONG ON PRESS CHANGES, HE IS VERY SURE ABOUT THE INDUSTRIAL COMMUNITY CHANGES WHICH THE EMBASSY HAS HEARD FROM VARIOUS SOURCES IN RECENT WEEKS. EMBASSY HAS, IN FACT, OBTAINED A COPY OF THE LONGGN COMPLEX, DRAFT DECREE LAW ON THE RESTRUCTURED INDUSTRIAL COMMUNITY WHICH WE ARE CURRENTLY ANALYZING. IN ESSENCE, IT DROPS PRESENT IDEA THAT EACH COMPANY'S PROFITS SHOULD FORM THE BASIS FOR THE WORKERS' PART OF THE COMPANY'S SHARES, AND SUBSTITUTES AN IDEA BORROWED FROM THE MINING SECTOR TO THE EFFECT THAT A CERTAIN AMOUNT OF PROFITS FROM ALL INDUSTRIAL COMPANIES WILL BE USED TO MAKE SURE THAT EACH INDUSTRIAL COMMUNITY CAN BUY 5 PERCENT ANNUALLY OF ITS COMPANY'S SHARES, NO MORE AND NO LESS. COMPANIES WHOSE PROFITS WOULD ENABLE WORKERS BUY MORE THAN 5 PERCENT OF THE SHARES WOULD CONTRIBUTE THE "EXCESS" TO A NATIONAL FUND TO PAY FOR THE SHARES OF LESS PROFITABLE COMPANIES. IT RETAINS THE IDEA, HOWEVER, THAT THE WORKERS MAY NOT OBTAIN MORE THAN 50 PERCENT OF THE TOTAL SHARES OF THE COMPANY. THE DECREE ALSO WOULD ESTABLISH GREATER REVIEW POWERS FOR THE INDUSTRIAL COMMUNITY OVER COMPANY MANAGEMENT, AND SETS UP A COMPLICATED AVERAGE WAGE SYSTEM;

4. IF PROMULGATED IN ITS PRESENT FORM, THE RESTRUCTURED INDUSTRIAL COMMUNITY CONCEPT WOULD INDICATE AGAIN, IN A STRIKING FASHION, AS IN THE CASE OF SOCIAL PROPERTY, THAT PRESIDENT VELASCO AND HIS CLOSE IDEOLOGICAL ADVISORS WILL TRY TO LEGISLATE MORAL INCENTIVES AS ONE OF THE PRINCIPAL IDEAS OF THE REVOLUTION. IN THE CASE OF EXISTING INDUSTRY, THIS DECREE COULD POSSIBLY BRING ABOUT SERIOUS CONFLICT WITH LABOR UNIONS, AND WORKERS IN GENERAL, PARTICULARLY IN THE MORE PROFITABLE FIRMS, AS WELL AS GENERATE EXPECTED OPPOSITION FROM THE PRIVATE BUSINESS SECTOR. IN ANY CASE, SHOULD THIS DRAFT DECREE BECOME LAW ON JULY 28, IT WOULD CERTAINLY HAVE A RESOUNDING POLITICAL AS WELL AS ECONOMIC IMPACT ON PERU, AND DOMESTICALLY MIGHT BE ALMOST AS MUCH A CAUSE CELEBRE AS THE POTENTIAL IMPOSITION OF A STATE-CONTROLLED OR AT LEAST

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, CENSORSHIP, NATIONALIZATION, NEWSPAPERS, INDUSTRIAL CONTROLS, INDUSTRIAL REFORMS, PROFIT SHARING
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA06024
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740199-0685
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740726/aaaaavts.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LIMA 5980
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 20 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 SEP 2002 by cunninfx>; APPROVED <19 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JULY 28 THEMES - PRESS TAKEOVER AND NEW DECREE LAW ON THE INDUSTRIAL COMMUNITY
TAGS: EIND, ECON, PGOV, PINT, PE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005